A SYNOPSIS

ON

# "ANALYTICAL STUDY ON FINANCIAL MANAGEMENT OF FARMERS IN LATUR DISTRICT"

Submitted in partial fulfillment of the requirement for qualifying Ph.D

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BY

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## 1.Introduction

The financial management deals with short term items and long term items. It is immense for every financial analyst in which the working capital has the special in present day of industrial function. The important aspect is the estimation of how much cash, stock and other liquid assets of the firm can keep operating day to-day function.

Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the item of the balance sheet and profit and loss account.

"Financial management is the operational activity of a business that is responsible for obtaining and effectively utilizing the funds necessary for efficient operation." By Joseph& Mass.

Forecasting in financial management is used to estimate firm future financial needs. If the financial manager has not attempted to anticipate his firm's future financing requirements, then a crisis occurs every time the firms cash inflows fall below its cash outflow.

The unique nature of farm financial management calls for farmer to act as an entrepreneur. Being an farm entrepreneur the farmer should have enough financial literacy for effective financial management.

## 2.Problem Identification

As per the past research no articles and research papers highlighted the topic, "Analytical study on Financial Management of Farmers in Latur District."

Selection of this topic will focus on,
1.Sources of funds available to the farmers.
2.Financial Management activities in farming.
3.Economic condition of farmers.
4.Financial Literacy of Farmers.
5.Living standard of farmers.

Agriculture is the backbone of Indian Economy, but the share of agriculture sector in GDP is reducing. Near about 65% people of the countries population works in the farm. Due to Lack of financial management farms unable to face in disastrous situation. So, the need of study on financial management of farmers arises for their economical development.

## 3.Review of Literature

Previous research on financial management has related financial structure to farm performance. For instance, the debt to asset ratio is a commonly used measure of financial structure (Gloy, Hyde, and LaDue, 2002; Purdy, Langemeier, and Featherstone,1997; Mishra and Morehart, 2001; Kauffman and Tauer, 1986; El-Osta and Johnson,1998; and Haden and Johnson, 1989). It reflects the proportion of the farms assets that are financed with debt and reflects the leverage decision made by farmers. Purdy, Langemeier, and Featherstone (1997) analyze the impact of several other measures of financial structure (inverted current ratio, total assets, net worth, asset turnover ratio,operating expense ratio, depreciation expense ratio, interest expense ratio, and net farm income ratio). Likewise, Ford and Shonkwiler (1994) use a ratio of equity to assets,operating margin, interest as a percent of cash expenses, and debt per cow to explainperformance.

In most cases, measures of financial structure are treated as exogenous variables and the empirical findings related to the impact of debt on farm profitability are mixed. For instance, Mishra and Morehart (2001) show no significant effect and Kauffman and Tauer (1986) and El-Osta and Johnson (1998) show mixed results. Nasr, Barry, and Ellinger (1998) examine the relationship between the use of debt and non parametric efficiency of Illinois grain farms. They find that farms with debt tend to be more efficient than less leveraged peers.

Researchers have also conducted studies to examine the determinants of capital structure. These studies have typically examined how factors such as tax policy, use of contract production, interest rates, wealth, farm size, and business risk impact the use of debt (Boehlje and Ray, 1999; Parcell, Featherstone, and Barton, 1998; Jensen and Langemeier, 1996; Ahrendsen, Collender, and Dixon, 1994; Collins, 1985). Other studies have examined the relationship between profitability and record keeping practices, leasing practices, and forward contracting practices. For instance, Mishra, El-Osta, and Johnson (1999) found that financial measures and practices such as machinery costs, use of forward contracting practices, renting land, keeping formal records, and using extension information were significantly related to the net farm income of U.S.cash grain farmers. Although there have been many studies which have examined financial structure, financial performance, and their relationship, relatively few have examined the specific financial management practices adopted by farmers.

## 4. Research Design

## 4.1 Title of the Problem

**“Analytical study on Financial Management of Farmers in Latur District.”**

## 4.2 Objectives of the Study

1.To assess the attitude of farmers towards financial management of their farming.
2.To Know the Liquidity position of the farmers.
3.To study various aspect of assets and liabilities of farmers
4.To analyze the capital structure of the farmers and its effectiveness.
5. To identify the changes in the components of working capital.
6.To offer suggestions for the problems in financial management.

## 4.3 Sampling Design

### I) Area

Latur District farmers in Ten Talukas.

### II) Sampling Unit

Out of 943 Villages in ten talukas 100 Villages will be selected. From each talukas there will be 10 villages will be selected and from 10 villages 5 farmers from each village will be selected for research.

### III) Sampling List

Data collection will be from

a. Primary data source
b. Secondary data source

### IV) Sample Period

Sample study should take from last 10 years.

### V) Sample Size

Sample size will be 500 farmers.

### VI) Sampling Technique

The technique used for conducting the study will be random sampling.

## 4.4 Significance of the Research

1) This study will help to be aware about financial management to the farmers.
2) It will help to increase the liquidity position of farmers.
3) Study will increase the awareness of financial planning of farming.
4) It will help to know the sources of funds for farming.
5) It will enhance decision making ability of budgeting in the farm.
6) The study will focus on financial management of farmer.
7) This research will be helpful to the farmers in decision making, forecasting and budgeting.

## 4.5 Hypothesis

1) Null Hypothesis(H0)- There is no relation between efficient and effective utilization of funds in the farm and growth in income of farmers.

Alternate Hypothesis(H1) - There is relation between efficient and effective utilization of funds in the farm and growth in income of farmers.

2) Null Hypothesis(H0)- There is no relation between liquidity of funds and productivity in the farm.

Alternate Hypothesis(H1) - There is relation between liquidity of funds and productivity in the farm.

## 4.6 Data Collection

This study is completely based on Primary Data and Secondary Data.

A ) Primary Data :

1) Farmers

Primary data collection will be from above personnel by

i) Observations
ii) Interview
iii) Questionnaire

B) Secondary Data

Secondary data will be collected from

1) Books.
2) Sugarcane Bills of farmers
3) Adat bills of farmers.
4) Magazine.
5) Journals.
6) Websites.
7) Previous research publications.
8) Data of District Collector Office
9) Data from Grampanchayats.

## 4.7 Period of Study

The Performance of sampled scheme would be plan review for 5 years.

## 4.8 Tools of Analysis

Classification and tabulation of raw data will be collected through observation, questionnaire and interview. This information will be converted into understandable and orderly statistics to organize and analyse the collected data.

a) Simple tabulation of data.
b) Calculating the percentage of responses.
c) Various Formulas related to Financial Management.

The information collected during data collection both quantitative and qualitative will be coded first and tables will be generated, analyzed and interpreted with the help of excel sheets in computer. On the basis of findings based on tabulated information and observation done during data collection results will be find out with the help of necessary statistical tools and conclusion will be drawn which will help researcher to give suggestions.

## 4.9 Limitation of Study

Study is limited to the Latur District only.

## Chapterisation

Chapter 1:- Introduction and Research Methodology

Chapter 2:- Review of Literature

Chapter 3:- Overview of Financial Management

Chapter 4:- Profile of Farmers in Latur District

Chapter 5:- Data analysis and Interpretation

Chapter 6:- Findings and Suggestions

Chapter 7 :- Conclusion

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Annexure

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